



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 12, 2004

MEMORANDUM FOR CHIEF OF STAFF, OFFICE OF THE INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

SUBJECT: Review of Business-Class and First-Class Airfares Within the Office of the
Inspector General of the Department of Defense (Report No. D-2005-6-001)

We reviewed 20 transactions that were coded as business-class and first-class travel during the 2002 and 2003 calendar years for the Office of the Inspector General of the Department of Defense (OIG DoD). To ensure auditor impartiality, the Audit Policy and Oversight Directorate arranged to conduct the internal review of the OIG DoD business-class and first-class travel transactions.

Official travel must comply with the Joint Travel Regulation (JTR), the DoD Financial Management Regulation (FMR), and the OIG Travel Manual. The JTR, Volume 2, Section C2204, addresses commercial air accommodations for DoD civilian personnel. The regulation provides guidance on authorization/approval, traveler's responsibilities and documentation, and circumstances justifying use of business-class and first-class airfares. The JTR is updated periodically; therefore we evaluated the transactions against the edition of the JTR that was in effect at the time the trip was booked by the travel agency.

The JTR establishes limited circumstances where a traveler could use business-class and first-class airfares. Currently, there are eight circumstances where a traveler could use business-class airfares and three circumstances where a traveler could use first-class airfares. The JTR also establishes exceptions to the circumstances where a traveler can use business-class and first-class airfares.

The FMR, Volume 9, Chapter 2, dated September 2000, addresses responsibilities of accountable officials and travelers performing official government travel. The FMR, Volume 9, Chapter 2, Section 020401, addresses responsibilities of an authorizing official. Section 020401 does not address whether the authorizing official is to retain travel records and the period of retention of those records. The FMR, Volume 9, Chapter 2, Section 020402, addresses responsibilities of a traveler, which includes preparing initial authorizations and vouchers and retaining receipts.

The FMR, Volume 9, Chapter 2 was updated during August 2003. The update established the requirement for the authorizing official to retain records to substantiate travel claims for a specific timeframe and for the traveler to provide copies of receipts to the authorizing official.

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IG Manual 4500.42 “OIG Travel Manual”, March 1991, currently under revision, provides policy guidance, instructions, and responsibilities for establishing and administering the Travel and Transportation Program for the OIG DoD.

Results. Although we found no significant issues related to business-class and first-class airfares, we did find that OIG DoD needed to improve internal controls in the areas of record retention and documentation when dealing with business-class and first-class airfares. Additionally, OIG DoD needed to establish procedures to ensure that travelers are in compliance with the JTR, and any updates, when justifying business-class and first-class airfares.

Based on our review, we have the following comments, observations, and recommendations that if implemented should prevent future internal control weaknesses. In a November 2, 2004, response to a draft of this report, the Chief of Staff, OIG DoD concurred with the recommendations and planned actions that meet the intention of the recommendations (Appendix B).

Comments, Observations, and Recommendations

Records for Business-Class and First-Class Travel. In the course of our review of the business-class and first-class trips taken by OIG DoD travelers, we found that not all OIG DoD employees could provide travel related documents. The September 2000 edition of the FMR establishes that the traveler is responsible for preparing initial authorizations and vouchers. The traveler shall provide receipts or signed statement of missing receipts to the authorizing official and reviewing official upon request. The traveler must also retain receipts for all lodging expenses, and all receipts for individual reimbursable expenses of \$75 or more, for 4 years in accordance with Internal Revenue Service requirements. August 2003 updates to the FMR established that the traveler shall provide copies of receipts to the authorizing official and it is the authorizing official’s responsibility to retain records that substantiate certified travel claims (including copies of receipts) in the office where certification occurred for 6 years and 3 months.

The OIG Travel Manual stipulates that use of other classes of travel besides coach class travel is not authorized and when exceptional circumstances arise, a request for exception to policy must be prepared. The travel manual also stipulates that when filing a travel claim, receipts are required for all reimbursable items in excess of \$25, and particularly for parking fees, taxis, commercial transportation, etc. Receipts for any amount are required for lodging, car rental, registration fees, purchased supplies, and receipt of airline ticket.

Seven of the 20 trips we reviewed were missing some form of travel documentation, including the passenger airline receipt, which states what class of air accommodations were used. For six of the seven trips without documentation the traveler or authorizing official was not able to provide the passenger airline receipt; two of those six trips were missing all receipts associated with the trip.

For one of the seven trips with missing documentation, the traveler could not be contacted and the OIG DoD could not locate receipts, including the passenger airline receipt, for the trip in question.

Although the traveler and authorizing official could not provide all documents necessary to have a complete audit trail, we were able to obtain some documents from other divisions within the OIG DoD. Travel orders, vouchers, and itineraries were obtained from OIG DoD Travel Branch for all 20 trips reviewed. The OIG DoD travel agency would be able to provide a copy of the passenger airline receipts they printed if the travel agency still had those records on site. Although we were able to obtain most documents for the trips in question from various divisions within the OIG DoD, complete travel records need to be kept in order to provide a clear audit trail.

Recommendation. We recommend that the Chief of Staff, in accordance with the Volume 9, Chapter 2 of the FMR and the OIG Travel Manual, develop and promulgate policy to establish the time period the travelers and authorizing officials shall retain travel documents and the appropriate information to be contained in those records.

Management Comments. The Chief of Staff planned actions (Appendix B) are responsive to the recommendation. Management will include policy in the OIG DoD Manual 4500.42 and an “all hands” email requiring each Authorizing/Order-Issuing Official’s office to maintain travel related documents for 6 years and 3 months.

Coding of Business-Class and First-Class Travel. While some trips taken by OIG DoD travelers appear to be business-class trips, they may be coach-class trips that had to be coded as business-class trips in order to book the trip. According to the OIG DoD travel agent, a different class code is required, in some cases, due to coding discrepancies between the airlines and the electronic booking system. For example, a trip from London, England to Stuttgart, Germany, may be coded as a business-class trip, because the electronic booking system would not allow the trip to be booked in coach or economy-class, but the traveler or agency is only charged for a coach/economy-class trip. The travel agent must enter a different class code into the system in order to book the trip, if he does not enter a different class code, in most cases a business-class code, the agent is not able to complete the booking and price out the trip.

During the course of the review, we discovered that 16 of the 20 trips could have been coded as business as a result of the booking system requirements. In conversations with the travelers and upon review of the available travel documents, it was determined that the 16 trips were likely not paid at a business-class rate. However, there is no documentation on the travel documents to confirm that the trips were booked under a business-class code and paid at a coach/economy-class rate.

Four of the 20 trips reviewed were coded and paid at a business-class rate. We determined these trips were paid at a business-class rate based on available travel documents.

Each of the four trips had supporting authorizations/approvals for the traveler to use business-class air accommodations on the trip and therefore, we determined that the traveler did use business-class air accommodations and would have paid a business-class rate.

Recommendation. We recommend that the Chief of Staff develop controls to document if the trip was actually booked and paid as business-class/first-class or coded as business-class/first-class as a result of a coding issue between the airlines and the electronic booking system.

Management Comments. The Chief of Staff planned actions (Appendix B) are responsive to the recommendation. Management will now require that the Contract Travel Office annotate on the Passenger Name Record (PNR) whether the traveler is booked at a business-class rate or coach-class rate that is coded as a business-class ticket. The OIG Travel Branch will keep copies of the PNR.

Approval and Justification of Business-Class and First-Class Travel. It is Government policy that, for employees who use commercial air carriers for domestic and international travel on official business, the Government purchase coach-class airline accommodations. Business-class and first-class airline accommodations should be used in limited circumstances as outlined in the JTR. During the timeframe of the review, there were eight to nine¹ circumstances where a traveler could use business-class airline accommodations; frequent updates to the JTR changed the circumstances that permitted the use of business-class airline accommodations; and three circumstances where a traveler could use first-class airline accommodations.

During the review, we discovered four trips that were authorized and approved to use business-class airline accommodations. Of these four trips, three were correctly authorized and approved and justifiable based on the edition of the JTR in effect at the time the trip was booked.

One trip was authorized/approved by the correct authority, but lacked appropriate justification. A traveler, who was authorized/approved to use business-class air accommodations, used business-class air accommodations when returning from a temporary duty station. The JTR stipulated that business-class travel may be authorized/approved when travel is between authorized origin and destination points (one of which is outside the continental United States (OCONUS)) and the scheduled flight time (including airport stopovers and plane changes) is in excess of 14 hours. In a note in the JTR, a traveler is disqualified from using business-class air accommodations on a return flight to the permanent duty station. “On TDY² travel, the 14-hour rule only applies en route to the TDY site. On a return flight to the PDS³, a business-class transportation should not be provided.” The traveler’s return flight was over 14 hours and

¹ From January 2002 through March 2002, there were nine instances where a traveler could use business-class travel. From April 2002 through December 2003, there were eight instances where a traveler could use business-class travel. The wording of these circumstances changes periodically.

² Temporary Duty Station

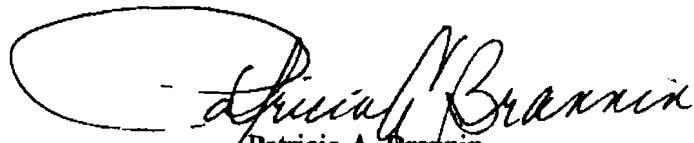
³ Permanent Duty Station

from an OCONUS TDY location to a continental United States permanent duty location. Although the return trip was over 14 hours, based on the JTR, the traveler should have been denied use of business-class airline accommodations on the return trip from the TDY location to the permanent duty station.

Recommendation. We recommend that the Chief of Staff develop and promulgate procedures which instruct travelers and authorizing officials to confirm compliance with the current Joint Travel Regulation, and any updates, before using business-class and first-class travel.

Management Comments. The Chief of Staff planned actions (Appendix B) are responsive to the recommendation. Management will include policy in the OIG DoD Manual 4500.42, at the OIG DoD Quarterly Travel Training Classes, and an "all hands" email on the updated procedures for authorizing/approving business-class and first-class travel.

See Appendix A for the scope and methodology of the review and Appendix B for management comments. Please call Mr. George Hunter at (703) 604-8756 or Ms. Carolyn Davis (703) 604-8877 if you have any questions.



Patricia A. Brannin
Assistant Inspector General
Audit Policy and Oversight

Appendix A. Scope and Methodology

The Assistant Inspector General for Audit Policy and Oversight, Office of the Deputy Inspector General for Inspections and Policy of the Department of Defense conducted the review. The scope of this review was limited to the employees of the OIG DoD. The team reviewed 20 trips taken between January 1, 2002 and December 31, 2003, that were coded as business-class or first-class travel. The purpose of this review was to determine whether OIG DoD personnel improperly used business-class or first-class airfares. The review team obtained and examined travel documentation for each trip in question and conducted interviews with OIG DoD travelers, an OIG DoD travel authorizing official and a travel agent who books flights for OIG DoD travelers.

The review team used the JTR Volume 2 section C2204 to determine whether the trips in question were correctly authorized, approved, and justified. The review team examined each month of the JTR Volume 2 during the review period to account for any changes to criteria pertaining to business-class and first-class travel. The review team documented any changes and noted the date of the changes. The review team examined the FMR and any updates or changes made during the review period. The review team examined the OIG Travel Manual effective March 1991. The review team applied the criteria to the trips based on the date the trip in question was booked. In conducting the review, the review team evaluated 20 trips taken during the period reviewed and associated supporting documentation for those trips.

Appendix B. Management Comments



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NOV 2 2004

**MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDIT POLICY
AND OVERSIGHT**

SUBJECT: Quality Control Review of Business-Class and First-Class Airfares within the Office of the Inspector General of the Department of Defense (Project No. D2004LH-0159.001)

In response to the three recommendations from your memorandum of October 7, 2004, subject as above, the OIG DoD Travel Branch, Administration and Logistics Services Directorate (ALSD), Office of the Chief of Staff, will develop and promulgate the following corrective actions.

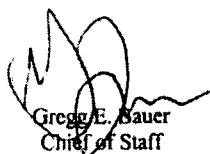
Recommendation 1, "Records for Business-Class and First-Class Travel." All travel related documents, to include receipts, will be kept for 6 years and 3 months. These documents may be kept in hardcopy or electronic form. Each Authorizing/Order-Issuing Official's office will store the documents. The documentation package will include the authorization, voucher and all required receipts pertaining to that particular travel. This policy will be included in the revision to OIG DoD Manual 4500.42, "OIG Travel Manual," that will be published during the 2nd Quarter of FY 2005. In addition, an "all hands" e-mail will be sent out in November 2004 promulgating this policy.

Recommendation 2, "Coding of Business-Class and First-Class Travel." The Contract Travel Office will annotate the remarks section of the Passenger Name Record (PNR) with comments that indicate if the travel is booked at the business-class rate or at the coach-class rate and coded as business-class to satisfy industry standards. The OIG Travel Branch will keep copies of the PNR remarks on file in the OIG DoD Travel Branch.

Recommendation 3, "Approval and Justification of Business-Class and First-Class Travel." Updated procedures for authorizing/approving business-class and first-class travel will be incorporated in the revised IG Manual 4500.42. It will include instructions to contact the OIG DoD Travel Branch prior to authorizing business-class and first-class travel. Additionally, this information will be provided to OIG DoD employees at all Quarterly Travel Training Classes and will be promulgated in an "all hands" e-mail that will be sent out in November 2004.

Appendix B. Management Comments

The above corrective actions will be incorporated into the revised IG Manual 4500.42, "OIG Travel Manual." Should you have any questions, please contact me or Mr. Gerald Matney, OIG Travel Branch, ALSD, 703-604-9799.



Gregg E. Bauer
Chief of Staff